

Message Text

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ACTION SS-30

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S E C R E T PRETORIA 0510

EXDIS

CAPE TOWN FOR EMBASSY

E.O. 11652: XGDS-3
TAGS: ENRG, TECH
SUBJECT: SOUTH AFRICAN URANIUM ENRICHMENT PROJECT: APPROACH
BY GENERAL ELECTRIC TO ROUX

1. ROBERT E. JOHNSON, MANAGING DIRECTOR - SOUTH AFRICAN GENERAL ELECTRIC COMPANY, WHOLLY OWNED SUBSIDIARY OF US COMPANY, INFORMED ECON COUNSELOR AS FOLLOWS:

2. JOHNSON CALLED ON DR. A.J.A. ROUX, PRESIDENT - SA ATOMIC ENERGY BOARD, A FEW DAYS AGO TO PROBE POSSIBILITIES GE ASSOCIATION IN SOME FORM WITH SA URANIUM ENRICHMENT PROJECT. JOHNSON SUGGESTED THAT TWO TECHNICALLY HIGHLY QUALIFIED EXECUTIVES MIGHT COME TO SA TO EXPLORE FURTHER WITH ROUX.

3. ROUX SAID HE HAD IN HAND FAIRLY ADVANCED UNDERSTANDINGS FOR PARTICIPATION BY FOUR (RPT FOUR) GROUPS ALTHOUGH ARRANGEMENTS WOULD NOT RPT NOT BE FINALIZED UNTIL PILOT PLANT COMPLETED AND COST-EFFECTIVENESS AND COMPETITIVENESS OF PROCESS COULD BE DEMONSTRATED. ROUX MADE WHAT IS NOW RPT NOW FAMILIAR POINT THAT EFFICIENCY OF PROCESS HAS BEEN CONSISTENTLY IMPROVED - THUS, INCREASING ITS COMPETITIVE PROSPECTS - AND IS SUSCEPTIBLE FURTHER IMPROVEMENT THROUGH TECHNOLOGICAL REFINEMENT. ROUX SAID HE NOW (RPT NOW) BELIEVED THEY HAD REACHED THE STAGE AT WHICH THE ENERGY INPUT FOR THE PROCESS WOULD BE ON A PAR WITH GASEOUS DIFFUSION,

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THUS MAKING IT MORE COST-EFFECTIVE, GIVEN THE LOWER CAPITAL COST CLAIMED FROM THE BEGINNING. ROUX DID NOT RPT NOT NAME COMPANIES AND/OR COUNTRIES INVOLVED IN THE FOUR POSSIBLE PARTICIPANTS EXCEPT TO STATE THAT ONE WAS A CONSORTIUM OF AMERICANS.

ROUX TOLD JOHNSON THAT HE WAS SATISFIED WITH THE FINANCIAL CAPABILITY OF THIS GROUP BUT HAD DOUBTS THAT THEY COULD MAKE ANY CONTRIBUTION TO THE FURTHER TECHNOLOGICAL DEVELOPMENT OF THE ENRICHMENT PROCESS OR IN SUPPLY OF EQUIPMENT FOR THE MAIN PLANT WHICH SA PLANS TO CONSTRUCT. ROUX SAID HIS PLANNING NOW (RPT NOW) WAS FOR FOUR PARTNERS EACH TAKING 20 PERCENT OF THE SHARES, ALONG WITH SA, AND PLAYING A DIRECT ROLE IN THE CONSTRUCTION OF THE COMMERCIAL SCALE PLANT THROUGH EQUIPMENT SUPPLY ACCORDING TO CAPABILITY AND COMPETITIVENESS. AS TO DISCLOSURE, JOHNSON SAID ROUX EMPHASIZED THAT WHEN PARTICIPATION WAS FIRM, THE PARTNERS WOULD KNOW ALL THAT THE SOUTH AFRICANS KNEW AND NOTHING WOULD BE HELD BACK. ROUX ADDED THAT EARLY THINKING HAD BEEN TO DEAL WITH GOVERNMENTAL AGENCIES OF OTHER COUNTRIES BUT THIS HAD SHIFTED TO REALIZATION THAT COMPANY ORGANIZATION MORE PRACTICAL APPROACH.

4. AS TO GE, ROUX INDICATED POSSIBILITY OF FURTHER DISCUSSION, QUALIFYING THIS, HOWEVER, BY STATEMENT THAT THE SA ATOMIC ENERGY PEOPLE DID NOT ENTER INTO SUCH DISCUSSIONS WITHOUT FIRST ASCERTAINING THROUGH THEIR CHANNELS THAT GOVERNMENTAL AUTHORITIES OF COUNTRY CONCERNED HAD NO RPT NO OBJECTION.

5. JOHNSON HAS REPORTED BACK TO GE AND INFORMED ROUX THAT GE VICE PRESIDENT SUTTON AND KARL COHEN PLAN ARRIVE SOUTH AFRICA MARCH 25. SUTTON UNDERSTOOD TO BE IN CHARGE GE'S NUCLEAR UNDERTAKINGS AND COHEN TO BE NOTED NUCLEAR EXPERT INITIALLY WITH MANHATTAN PROJECT AND WITH GE SINCE 1950'S. DATE WITH ROUX APPARENTLY NOT RPT NOT FIRM ALTHOUGH ROUX SAID HE EXPECTED TO BE IN COUNTRY AT THAT TIME.

6. AS USG AGENCIES NO DOUBT AWARE, GE AND EXXON HAVE BEEN COLLABORATING IN CERTAIN STUDIES REGARDING FUTURE ENRICHMENT PROGRAMS, SPECIFICALLY POSSIBILITIES IN THE GAS CENTRIFUGE FIELD. AS UNDERSTOOD BY ECON COUNSELOR, GE INITIATIVE IN REGARD TO SA IS NOT RPT NOT CONNECTED WITH GE-EXXON PROJECT AND GE WOULD INFORM EXXON OF THIS INITIATIVE ONLY IF IT DEVELOPS TO THE POINT OF AFFECTING THEIR OBLIGATIONS TO EXXON.

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7. COMMENT: WE DO NOT RPT NOT KNOW HOW CLOSE US AGENCIES ARE TO IDENTIFYING CLAIMED SECRET SA ENRICHMENT PROCESS NOR ARE WE IN POSITION EVALUATE POTENTIAL SIGNIFICANCE OF THIS PROCESS TO OUR OWN PLANNING FOR ADDITIONS TO ENRICHMENT FACILITIES. SA PILOT PLANT CONSTRUCTION IS REACHING ADVANCED STAGE AND ALL SIGNS ARE THIS IS SERIOUS ENDEAVOR UNDERTAKEN BY HIGHLY QUALIFIED SCIENTISTS AND TECHNICIANS. GERMAN AND JAPANESE INTEREST VIA MORE OR LESS PRIVATE GROUPINGS, WITH SOME - POSSIBLY SUPER-FICIAL - GOVERNMENT DISCLAIMERS, HAS BEEN IN EVIDENCE. INTEREST OF OTHERS MAY HAVE BEEN HEIGHTENED BY INTENSIFICATION ENERGY CRISIS. IN ADDITION TO COMMERCIAL COMPETITIVE IMPLICATIONS, ASSOCIATION WITH AN SA PROJECT HAS OBVIOUS AND ENORMOUS POLITICAL ONUS POTENTIAL. OTHER GOVERNMENTS CONCEIVABLY

HAVE LESS PROBLEM AND CONCERN IN THIS REGARD THAN CASE OF USG.
ON OTHER SIDE OF QUESTION ARE POSSIBLE SECURITY IMPLICATIONS
OF SA PROCESS AND REASONABLE CONTROL OVER WEAPONS PRO-
LIFERATION. SA AUTHORITIES WHILE PROCLAIMING DEDICATION TO
PEACEFUL USES AND APPLICATIONS SAFEGUARDS, HAVE ELUDED EFFORTS
BRING THEM ON BOARD NPT. EARLIER CERTAINLY, ROUX CLAIMED
GREATEST HOPE WAS TO BRING US INTO THIS OPERATION, SUGGESTING
POSSIBLE NON-PROLIFERATION CONTROL THROUGH PARTICIPATION OF
WEAPONS POWER. GIVEN APPARENT FACT THAT SA PROCESS MAY HAVE
FAR REACHING SIGNIFICANCE, PRIVATE US COMPANY INITIATIVE MIGHT
CONCEIVABLY HAVE SOME MERIT AS CHANNEL FOR US INTEREST INVOLVE-
MENT. POLITICAL PROBLEM MIGHT BE REDUCED SOMEWHAT ALTHOUGH
IT WOULD NOT RPT NOT BE REALISTIC TO ASSUME IT WOULD GO AWAY.
WE ASSUME GE WOULD NEED SOME SORT OF GREEN LIGHT TO GO MUCH
FURTHER IN ITS PRESENT EXPLORATION. WHETHER OR NOT (RPT NOT) THIS
SHOULD BE GIVEN SEEMS TO US TO REQUIRE VERY CAREFUL EVALUATION
AT APPROPRIATE HIGH LEVELS OF THE USG AS TO THE ULTIMATE BALANCE
OF US INTEREST IN THIS MATTER. PERHAPS THE POTENTIAL OF THIS
PROCESS IS OF SUFFICIENT IMPORTANCE TO OUTWEIGH POLITICAL
PROBLEMS, PERHAPS NOT (RPT NOT). WE ACCORDINGLY REPORT THIS
DEVELOPMENT FOR CONSIDERATION, REQUESTING THAT JOHNSON'S
POSITION IN THE MATTER BE PROTECTED.

SMITH

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